Setting Up A National Oil Company in Timor-Leste Workshop

PTT’s Experience in Listing An NOC
Dili, Timor-Leste
May 28 – 29, 2009
AGENDA

• Introduction to Thailand

• Introduction to PTT

• Lesson Learned of Listing an NOC
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FROM NATIONAL ENERGY COMPANY TO PREMIER MULTINATIONAL COMPANY

- Oil Crisis Resolution
- Oil Import Reduction
- Economics Development
- Privatization Of State Enterprise
- Economics Restoration
- State Enterprise To Provide Income
- Build Capability To Compete
- Macro Economic
- Community Sufficient Economy

Thai Premier Multinational Company
PTT GROUP’s HYDROCARBON VALUE CHAIN
PTT’S STRATEGIC IMPORTANCE TO THE THAI ECONOMY
Ownership: Ministry of Finance ‘Direct and Indirect’ ~ 67%, Public ~ 33%
PTT GROUP RECOGNITION: CONFIDENCE & CREDIBILITY
PTT is widely recognized among business community both local and international
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PTT GROUP: INITIAL PUBLIC OFFERING PREPARATION PROCESS

1. PTT Vision / Strategy
2. Privatization Structure
3. Financial Structure
4. Valuation
5. Corporatization Act Process
6. Prospectus, IPO Filling and Road Show
7. IPO and Continuous Improvement
8. Organization Improvement
9. Organization Structure
CRITICAL CHANGE: STRATEGIC DIRECTIONS

- Financial Engineering/Management – Lower WACC, Optimize D/E
- Portfolio Management
- Synergy – Lower Cost
- QSHE – High Standards
- Procurement Efficiency
- Development Capability

- New Venture Capability
- Exploration Capability
- Alignment with PTT/EGAT/Government
  - LNG Linked E&P
  - Imported Pipe Gas E&P
  - Asset M&A
- R&D
- Monitoring and Alert System

- HR Competency
- Culture – Trust and Commitment
- Commercial and Marketing Capability
- Performance Management System
- Boundaryless Organization
- Organization Structure for International Expansion
- Negotiation Capability
CRITICAL CHALLENGE: CAPABILITY MANAGEMENT TOOLS

Executive Information System
Performance Report

SCM (Supply Chain Mgt.)
- Crude
- Oil
- Natural Gas
- Petrochem
- Lube

CRM (Customer Relation Mgt.)

Sales
Customer Service
Supply
Purchase
Plant
HR

SAP

Data Warehouse

Profit Margin
Product Costing
Managerial Accounting
Financial Accounting

Operational / Support Function
CRITICAL CHALLENGE: HUMAN RESOURCE DEVELOPMENT

- **Manpower Planning**: Number, level and proportion of employees that is appropriate with the business competitiveness.
- **Performance Based Management**: A system evaluating work with reachable objectives and in line with the organization’s direction.
- **Competency**: Knowledge, capabilities and characteristics which the organization expects in order to reach objectives in business competition.
- **Performance Appraisal**: Compensation that reflects results and capabilities required by the organization.
- **Career Development**: Employees’ career development in line with the requirement and direction of the organization.
CRITICAL CHALLENGE: RISK MANAGEMENT

Risk Factor  Risk Management  Value Target

Risk Management

- Projects Implementation
  - Reduce resistance from public
  - Project costs management

- Credit Risk
  - Set criteria for lending
  - Set Selling price and payment term
  - Management on the follow up of payment over due

- Fluctuation of Baht
  - Major loans are in Baht
  - Currency matched between receivable and payable

- Operation
  - Apply the international system of QSHE
    - ISO ISRS
    - Preventive Maintenance

- Product Price Fluctuation
  - Consistently monitoring the price movement
  - Derivatives trading such as Forwards and Swap Option

- Take or Pay
  - Specify the term Take or Pay in Gas Sales Agreement
  - Accelerate expansion of basic structure to be able to receive the amount of gas as specified

Customers Distribution

- Demand Supply Matching
- Negotiate with producers to solve problems
- Increase the capacity of pipeline network
CRITICAL CHALLENGE: CORPORATE GOOD GOVERNANCE

- Accountability
- Equitable treatment
- Vision to create Long-term value
- Responsibility
- Transparency
- Ethic

Sound Business Decision
High Efficiency and Effectiveness